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CIL Programme Officer
Legal, Democratic and Property Services
Corporate Services and Governance
Civic Centre
Regent Street
Gateshead
NE8 1HH

20082/A3/CM/ds

20th May 2016

Dear Brian

**NEWCASTLE AND GATESHEAD COMMUNITY INFRASTRUCTURE LEVY
CONSULTATION ON ADDITIONAL INFORMATION
RESPONSE PREPARED ON BEHALF OF BELLWAY HOMES LIMITED (NORTH EAST)**

Following the Community Infrastructure Levy ('CIL') Charging Schedule hearing session on 22nd April 2016, the Examiner wrote to both Newcastle City Council ('NCC') and Gateshead Metropolitan Borough Council ('GMBC') to seek clarification on a number of assumptions used to underpin CIL rates proposed in each authority. Both Councils have responded to this request and their comments have been published for consultation until 20th May 2016.

This letter contains Bellway Homes Limited (North East's) ('our Client's') comments to the Council's response. It should be noted that our Client has taken part at key stages in the preparation of the CIL Charging Schedule including responding to consultations in May 2015, December 2015 and March 2015 as well as meeting the Council to discuss our concerns. Our Client also attended and contributed to the discussions at the hearing session on 22nd April 2016. Throughout the process our Client has maintained its fundamental concerns with CIL. That is:

- The CIL tariff of £60/sq m in relation to our Client's land at Ryton (a strategic site that has been released from the Green Belt) is too high and will endanger the viability and therefore successful delivery of the site.
- This is a result of a number of unrealistic assumptions which have fed into the Councils' viability assessments. Most notably in relation to the threshold land values and the sales values.
- Given that GMBC is relying on this site coming forward in order to meet their future housing requirements outlined in the adopted Core Strategy and Urban Core Plan ('CSUCP'), then anything that threatens the viability of our Client's site at Ryton will have fundamental consequences for the future growth and prosperity of Gateshead.

Ascertaining the level of CIL is essentially a development viability exercise and owing to this it is critical that the level of CIL is based on robust and credible evidence. It is clear from the guidance (contained in the National Planning Practice Guidance (March 2014)) and the regulations (contained in the Community Infrastructure Levy Regulation 2010 (as amended)) that charging authorities wishing to introduce the levy should propose a rate which does not put at serious risk the overall development of their area. It will therefore be important that the rate is based on reality and the viable level of funding towards the planned provision of infrastructure needed to deliver the CSUCP. It is clear from the evidence presented that CIL alone will not be able to fund all the infrastructure

that is said to be required until the end of the current plan period. This makes it more important to set the level of CIL based on what can be afforded rather than what may theoretically be desired, to reduce the risk of the shortfall being even greater.

This sets the context to which we comment on the Councils' response to the Inspector below. Of specific relevance to our Client are Items 1, 2, 4 and 6 and so our comments relate to these four issues only.

Item 1 – Information on the data sources and number/location of sites behind the sales values in table 4.3 (page 82) in the Councils' Viability and Deliverability Report (Feb. 2016) (PO4)

We have studied the information provided under Item 1 carefully and have a number of concerns about the data. We note that the data provided covers Newcastle only and does not provide any information for Gateshead. At the hearing sessions we made clear it is our view that sales values in Gateshead are generally lower than Newcastle. None of this evidence provided by the Councils refutes this claim (given no specific Gateshead data has been provided) and the evidence that we have provided as part of the examination would instead point to sales values being lower in Gateshead.

We also note a heavy reliance on guide prices for sales data. These are used for marketing purposes and may not reflect the actual price paid for a property (which might be substantially less). In those instances where a more reliable source such as Land Registry has been used, it is unclear as to whether sales discounts for new build properties have been applied. These are often used as incentives to attract buyers to a new development and do not often show up on Land Registry data (especially if a part exchange has taken place).

These fundamental flaws in the data show that the information provided in Item 1 cannot be relied upon as reliable and be reflective of sales data over the entire Newcastle and Gateshead area.

Item 2 – Evidence relating to sales values information as referenced on the last page of the Council's response dated 19th April 2016 (eg. adjacent estates to Ryton and postcode NE40 3).

As outlined above, our Client has a land interest in Ryton. In all our representations to date we have made the point that it is our considered view that the classification of our Client's site in a High-mid value area is incorrect and that the assumption that a residential value of £209/sq ft (£2,250/sq m) is achievable is flawed. In our Hearing Statement prepared for the CIL hearing session we provided updated information in terms of residential values achieved in the postcode sectors relating to Ryton. This took 195 transactions from July 2015 – December 2015 and shows that a rate of £158/sq ft (£1,701/sq m) represents a truer reflection of current residential values in the area. Taking into account a 'new build premium effect' our Client believes *at very best* values of £180/sq ft (£1,938/sq m) could be achieved, although given the constrained supply in Gateshead over recent years, this represents a high watermark and residential values will likely become suppressed when new homes are delivered on the strategic sites.

We note in GMBC's response that they have sought 6 comparables for Ryton to show residential values. We have a number of issues with this approach; firstly the number of transactions is small making establishing a reliable trend in house prices and residential values difficult and there is no way to know whether these are truly reflective of values in Ryton; especially compared to the work we have undertaken and submitted with our Hearing Statement. Indeed, of these comparables, only 3 of them exceed the High-mid value range proposed in the Councils' evidence base (£209/sq ft or £2,250/sq m) and 4 are located on the same road (Silvermere Drive) which does not necessarily provide a representative sample for Ryton as a whole (which we believe our submitted evidence does). The comparables provided are averaged to provide a figure of £206/sq ft (£2,138/sq m) however by averaging out transactions in this way, it takes into account large deviations in data (so

called 'outliers') which would have the effect of inflating the average. Instead any figure should be looking to extract these outliers or to pick a median figure instead.

The evidence submitted by GMBC also does not explain how the total gross internal areas (GIAs) of the dwellings has been calculated. To provide accurate residential values it is vital that the GIA is accurately represented. We would request that GMBC provides the sources for these as often some sources understate GIA of dwellings as parts of the house such as common areas/hall ways/garages are not included. This would then have the effect of underestimating the GIA and therefore overstating the sales values. Given our experience of sales values in Ryton we suspect that this may have occurred. As part of our own investigations we have examined the properties highlighted by GMBC. We managed to source the GIA for two of these properties by (53 Silvermere Drive and 31 Conway Close) from examining the floorplans of the sales particulars. We attach the information to this email. In both instances GMBC's calculation of floorspace appears to be some way off what is shown on the floorplans with the floor area of both properties underestimated. This has had the effect of overstating the residential values achieved. We set out the differences in the table below:

Property	Sale Price	GMBC Calculation of GIA	GMBC Residential Value	GIA according to floorplan	Revised Residential Value
53 Silvermere Drive	£155,000	72 sq m (775 sq ft)	£200/sq ft or £2,152/sq m	82 sq m (883 sq ft)	£176/sq ft or £1,890/sq m
31 Conway Close	£163,000	71 sq m (764 sq ft)	£213/sq ft or £2,295/sq m	92 sq m (990 sq ft)	£165/sq ft or £1772/sq m

This underlines the unreliability of GMBC's data and that little or no weight should be attached to it.

We therefore strongly believe that GMBC's new evidence does not provide adequate justification that a High-mid residential value of £209/sq ft (£2,250/ sq m) can be applied to Ryton. Consequently the CIL charge in these areas needs to be re-assessed in light of this and in accordance with our previous representations be given a charge of £0/ sq m. This is so CIL does not affect viability and deliverability of housing on our Client's site at Ryton.

Item 4 – Confirm the BCIS reference regarding reduction rates for large contracts (as referenced in the Councils' response dated 19 April 2016).

The discussions in relation to build costs that were undertaken during the hearing sessions were focussed on whether a 'tapering' approach should be undertaken based on the perceived values of different areas in Newcastle and Gateshead; with build costs being higher in higher values areas and lower in lower value areas.

We object to this notion on the basis that irrespective of where new homes were built, the fundamental build costs would remain constant. This was implicitly accepted by both Councils at the hearing sessions. We note that the Councils' letter dated 19th April appears to agree with this but maintains that the tapering is fair given the discount that is likely to be received from large contracts. This to us appears that the point about large contracts is being used to maintain the 'tapering' approach which was previously based on differing values. We would not consider this a robust way of examining build costs.

Notwithstanding this, we do not agree that it is appropriate to apply reduction rates for large contracts anyway. The reason for this is that it is assuming that volume housebuilders, who would build the larger contracts, can build for cheaper. However, these same volume housebuilders would also have greater overheads and profit requirements than smaller housebuilders which means that although the base build cost may be smaller, the costs would be included in other areas of the appraisal. If this analysis from the Councils were to be consistent and accurate, one would have to make adjustments to overhead/profit to reflect the other costs volume housebuilders incur which allow them to build for a cheaper base cost. As this approach would be very complicated for this type

of study, adjusting numerous inputs depending on the size of the project, it is considered a more accurate approach would be to reflect a standard non-tapered build cost rate for all appraisals.

Item 6 – Housing Trajectory information on small windfall sites delivery rate in Gateshead (Gateshead Council).

We note GMBC's assumptions for small windfall sites and how this contributes and feeds into their overall housing land supply position. Whilst we have not undertaken a detailed analysis and critique of GMBC's housing land supply position, even a cursory glance at the site specific trajectory shows that GMBC are relying heavily on the relatively early delivery of many of their strategic sites (including our Client's land at Ryton) which are proposed to be subject to the CIL tariff of £60/sq m.

Tying in with our overall view that this rate of £60/sq m is too high in relation to our Client's Ryton site, the imposition of this charge would clearly frustrate the site's delivery and consequently our Client would strongly query on a more general basis (knowing how CIL may also affect other sites) whether GMBC could maintain a 7.1 year supply of housing land over the relevant 5 year period under these circumstances.

Given the importance that Central Government has placed on achieving and maintaining a 5 year supply of housing land (see paragraph 49 of the National Planning Policy Framework ('NPPF')), it is imperative that both Councils do not put into place anything that threatens the deliverability of key strategic sites (such as our Client's land at Ryton). If delivery is frustrated and both Councils can no longer maintain a 5 year supply of deliverable housing land, then the relevant housing policies of the CSUCP will no longer be regarded as up to date and this in turn will seriously undermine both Councils' ability to deliver their overall strategy for development.

It is our Client's considered view that the current proposed CIL tariff of £60/sq m will affect the deliverability of these sites (including our Client's Ryton site) and in light of this the CIL tariff needs to be reconsidered and consistent with our comments above, set to £0/sq m at Ryton.

We trust that these comments will assist the Examiner in considering the CIL Charging Schedules further. Please do not hesitate to contact me if you require further clarification.

Yours sincerely



CHRIS MARTIN
Senior Planner



Land Registry sold prices

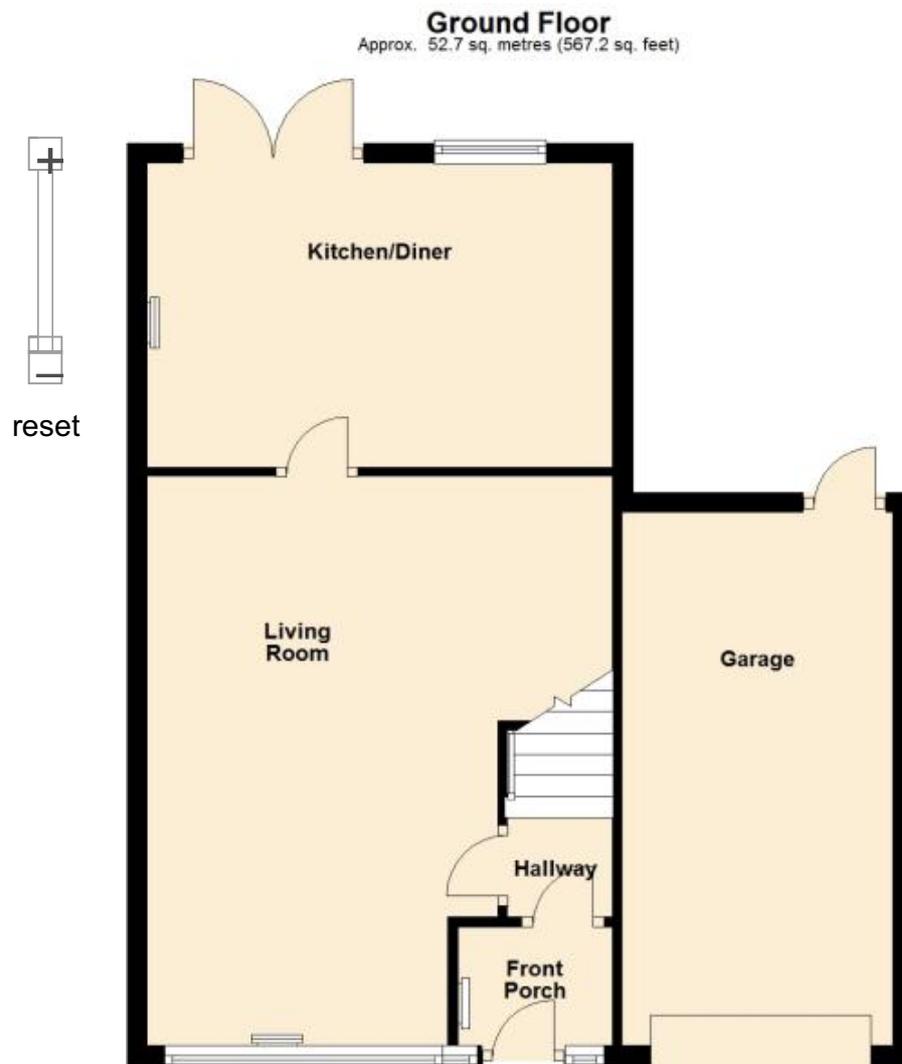
53 Silvermere Drive, Ryton, Tyne And Wear NE40 3HA

Sale Date	Property	Price Paid	Source
18 Sep 2015	Semi-Detached, Leasehold	£155,000	Land Registry
21 Nov 2003	Terraced, Leasehold	£129,950	Land Registry

Previously listed on Rightmove on September 2015

3 bedroom semi-detached house

Floorplan 1 Floorplan 2





Land Registry sold prices

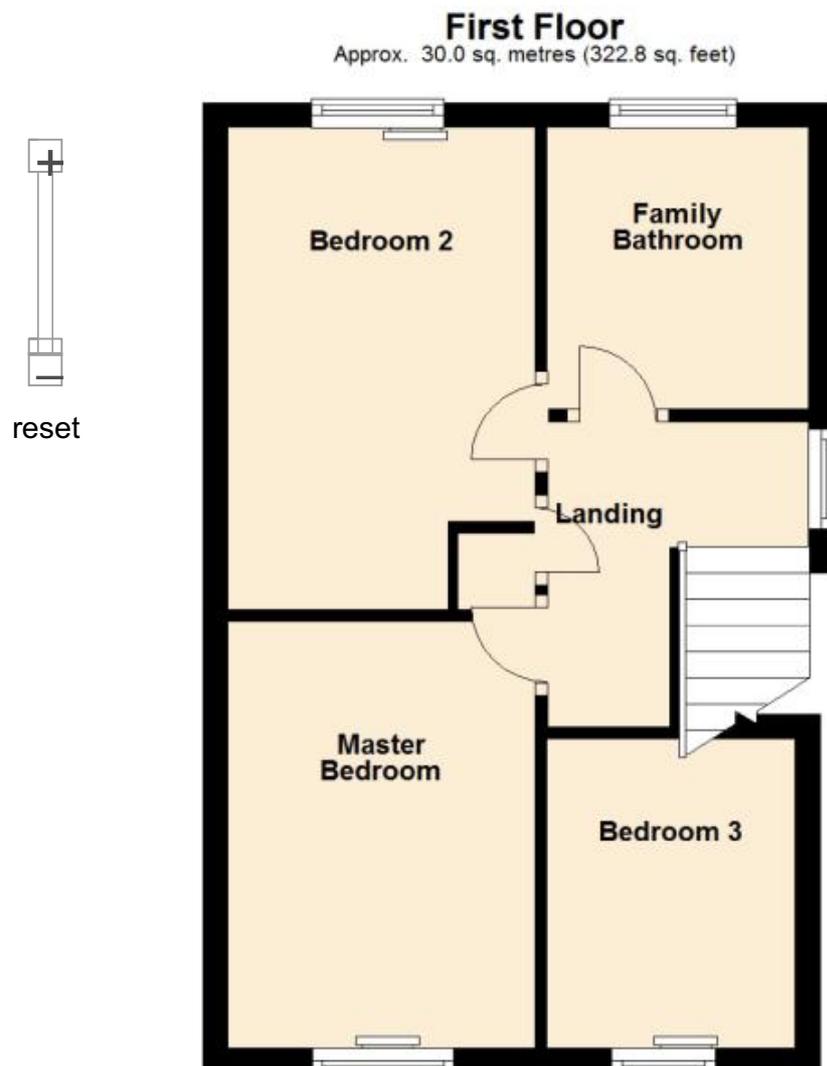
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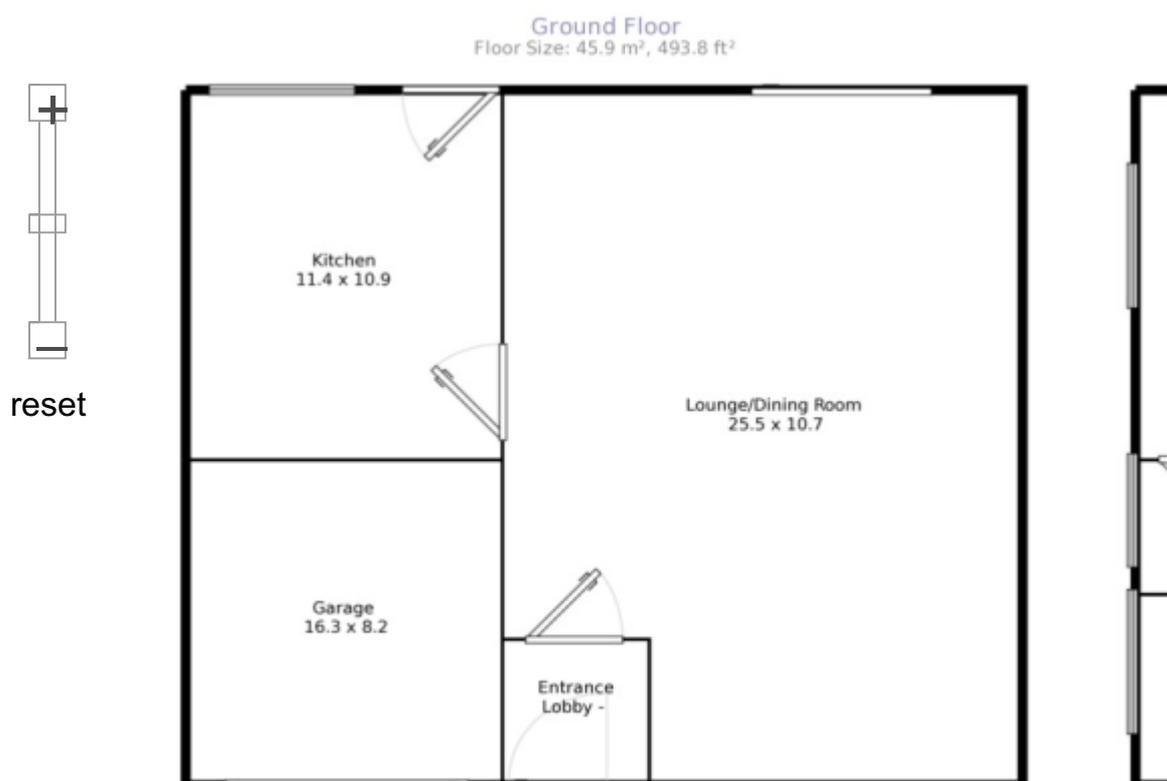
31 Conway Close, Ryton, Tyne And Wear NE40 3NZ

Sale Date	Property	Price Paid	Source
20 Feb 2015	Detached, Freehold	£163,000	Land Registry
01 Jun 2001	Detached, Freehold	£89,950	Land Registry

Previously listed on Rightmove on March 2015

3 bedroom detached house

Floor Plan



Measurements are approximate. Not to scale. For



Land Registry sold prices

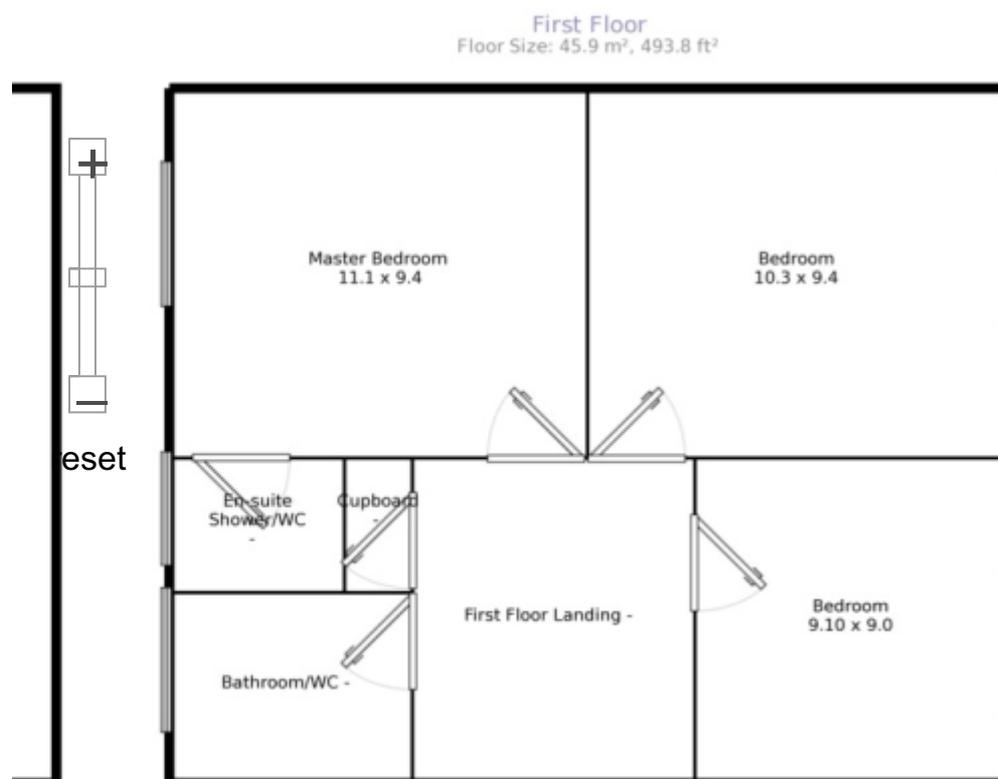
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